MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016/2017

DFA5048 – FINANCIAL ACCOUNTING 4

(For Diploma Students Only)

11 OCTOBER 2016
9.00 a.m – 12.00 p.m
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **9** pages with **5** questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

QUESTION 1

Part A

Zoom Bar Bhd was incorporated with registered 520,000 10% preference shares of RM1 each and 340,000 ordinary shares of RM2 each as at 1 June 2016.

During the year, Zoom Bar Bhd decided to issue 300,000 10% preference shares of RM1 each at a discount of 20 sen, payable in full on application. The company also issue 180,000 ordinary shares of RM2 each at a premium of RM0.25 on the following terms:

On application	50 sen
On allotment	65 sen (including premium)
1st call	70 sen
2nd call	40 sen

Applications received were 250,000 ordinary shares and the director decided to reject half of the unsuccessful applications. Then the directors agree to allot the outstanding shares on pro rata basis among the remaining applicants. The surplus monies received on applications were applied to the amounts due on allotment.

All monies due on 1st and 2nd call were received when due. However, there is one shareholder who held 3,200 shares paid the 1st call money together with 2nd call money during 2nd call and another shareholder who held 4,000 shares paid the 2nd call money together with the 1st call money during 1st call.

Issue cost amounted to RM12,000.

Instructions:

(a) Journalize the entries to record the above transactions. (11 marks)

(b) Prepare the extract Statement of Financial Position for the company after the 1st call. (5 marks)

(c) Prepare the extract Statement of Financial Position for the company after the 2nd call. (4 marks)

Continued...

Part B

Xandrea Bhd was incorporated with a registered authorized capital of 100,000 10% redeemable preference shares of RM2 each and 150,000 ordinary shares of RM2.50 each. Given below are financial information of Xandrea Bhd as at 31 July 2016:

Account	RM
Land and building	230,000
Plant and machinery	150,000
Office equipment	86,000
Cash at bank	178,000
Trade receivables	63,000
Ordinary shares of RM2.50 each	200,000
10% redeemable preference shares of RM2 each	150,000
Share premium	104,000
Profit and loss	64,000
Trade payables	139,000
Unearned service revenue	50,000

Additional information:

1. As at 1st August 2016, the director agreed to redeem three-quarter of its redeemable preference shares at RM2.30 each. The premium on redemption is to be write off by using the share premium account.
2. Xandrea Bhd utilize half of its profit and loss to finance the redemption by transferring the amount to capital redemption reserve.
3. Meanwhile, the remaining amount of redemption is finance through the issuance of new ordinary shares at a premium of 20 sen.

Instruction:

Journalize the above transactions. (5 marks)

[TOTAL 25 MARKS]

QUESTION 2

1. Annual report is a compilation of reports and financial statements required by the law or otherwise to be sent to the shareholder 14 days before the Annual General Meeting (AGM). List FOUR (4) statements that provided in annual reports. (2 mark)

2. Briefly explain the following items:

   (a) Dividend
   (b) Finance cost
   (c) Investment income
   (d) Administrative expenses
   (e) Distribution cost
   (f) Revenue

   (3 marks)

3. Directors are responsible for the corporate governance of companies which adequate transparency, accountability, disclosure in matters regarding companies, responsible to protect and enhance shareholder value and financial performance of the companies. List ANY FOUR (4) information that should be disclosed in corporate governance statement regarding the Board of Directors. (2 mark)

4. Preference shares carry preferential rights to dividends payment and repayment of capital during liquidation. List THREE (3) types of preference shares. (3 marks)

[TOTAL 10 MARKS]

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QUESTION 3

Trial Balance for Guccis Sdn Bhd as at 28 February 2016 are as follows:

Guccis Sdn Bhd
Trial Balance as at 28 February 2016

	Debit (RM)	Credit (RM)
Plant and machinery	200,000	
Land and building	280,000	
Motor vehicle	125,000	
Accumulated depreciation – Plant and machinery		24,000
Accumulated depreciation – Motor vehicle		30,000
Investment	70,000	
Trademark	40,000	
Cash	38,000	
Trade receivables	56,000	
Prepaid utilities	5,000	
Inventories	60,000	
250,000 5% Preference shares of RM1 each		250,000
500,000 Ordinary shares of RM1 each		500,000
Share premium		50,000
Accumulated profit and loss	150,000	
8% debentures		40,000
Director's loan		33,000
Bank overdraft		20,000
Trade payables		42,000
Accrued rental expenses		35,000
	1,024,000	**1,024,000**

Additional information:

a. Arrears on preference dividend worth RM50,000.
b. Contingent liability for damages of RM15,000 has not been provided.

Guccis Sdn Bhd was incorporated on 1 January 2010 with authorized capital consists of 400,000 5% Preference shares and 600,000 Ordinary shares of RM1 respectively.

However, the company suffered a great loss for the past four consecutive years. Therefore, Guccis Sdn Bhd passes special resolution and the approval of the court was obtained for the following scheme of internal reconstruction:

1. The preference share is to be reduced by RM0.60 each, while ordinary share is to be reduced to RM0.50 each.
2. The preference shareholders to receive three ordinary share of RM0.50 each for every RM1 preference dividends in arrears.

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3. The assets are revalued as follow:

	(RM)
Plant and machinery	156,000
Land and building	300,000
Motor vehicles	70,000
Investments	80,000
Trade receivables	35,500

4. To write off 80% of the accumulated profit and loss and all intangible assets.
5. RM10,000 of director's loan is to be canceled. The balance is to be settled by the issuance of ordinary shares of RM0.50 each.
6. The company settled half of it's contingent liability.
7. To write off RM18,000 of inventories and RM 12,000 of trade receivables as bad debts after the revaluation being done.
8. Three quarter of the share premium is to be used for the scheme.
9. Investments are sold at it's market value after it is being revalued.
10. Cost of reconstruction is RM52,000.
11. Another special resolution was passed to restore the authorized capital.

Instructions:

(a) Prepare the journal entries to record the capital reduction. (11 marks)
(b) Prepare capital reduction account. (3 marks)
(c) Prepare the Statement of Financial Position after the capital reduction had been completed. (6 marks)

[TOTAL 20 MARKS]

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QUESTION 4

Part A

Noyah and Joyah are partners in Pretty Cosmetics Enterprise. The business successfully grows after three years in operation and it makes Noyah and Joyah decide to expand their business by converting their partnership into a company known as Fabulous Bhd. The new company was incorporated on 1st January 2016 with an authorized capital of 600,000 ordinary shares of RM1.50 per share to purchase all assets (excluding cash) and liabilities of Pretty Cosmetics Enterprise. Fabulous Bhd was to discharge the purchase price by issuing 300,000 units of ordinary shares at RM1.50 each.

Following is the Trial Balance of Pretty Cosmetics Enterprise as at 31 December 2015.

Pretty Cosmetics Enterprise **Trial Balance as at 31 December 2015**		
Account	**Debit (RM)**	**Credit (RM)**
Building	200,000	
Office equipment	120,000	
Motor vehicle	95,000	
Accumulated Depreciation – Office equipment		36,000
Accumulated Depreciation – Motor vehicles		20,000
Cash	50,000	
Trade receivables	22,000	
Prepaid utilities	5,000	
Inventories	78,000	
Noyah, Capital		200,000
Joyah, Capital		180,000
Share premium		47,000
Trade payables		65,000
Unearned service revenue		15,000
Accrued EPF contribution		7,000
	570,000	**570,000**

Additional information:

1. Noyah and Joyah purchased 28,000 ordinary shares respectively at par for cash in Fabulous Bhd when the company was formed.
2. The liquidation expense of RM4,500 was to be paid by Pretty Cosmetics Enterprise.
3. The fair values of the assets taken over as follow:

	RM
Building	220,000
Office equipment	70,000
Motor vehicle	65,000
Trade receivables	20,000
Inventories	52,000

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4. Noyah and Joyah share profits and losses 4:1 and they agreed to accept any cash remaining as part settlement of the amount due to them on liquidation of the company (based on profit sharing ratio).

Instructions:

(a) Calculate the purchase price and goodwill. (4 marks)
(b) Prepare journal entries to close the book of Pretty Cosmetics Enterprise. (9 marks)
(c) Prepare journal entries to open the book of Fabulous Bhd. (7 marks)

Show all your workings.

Part B

Following are independent questions regarding changes in business structure:

1. Generally, there are two parties involved in the conversion of business. Explain the TWO (2) parties. (2 marks)

2. Briefly explain the calculation of purchase price if the purchasing company agrees to pay the liquidation expenses. (1 mark)

3. How to calculate purchase price? (2 marks)

[TOTAL 25 MARKS]

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QUESTION 5

Curry Sdn Bhd and Puff Sdn Bhd commenced their business since 10 years ago within the same industry level with authorized capital of 600,000 ordinary shares of RM1 each and 900,000 ordinary shares of RM1 each respectively.

However, in 2016 both companies decided to amalgamate to take advantage of economies of production and below are their Statement of Financial Position as at 31 March 2016:

Curry Sdn Bhd & Puff Sdn Bhd
Statement of Financial Position as at 31 March 2016

	Curry (RM)	Puff (RM)
Non-current assets		
Land and building	200,000	170,000
Machinery	120,000	160,000
Motor vehicles	90,000	160,000
Research and development	45,000	60,000
Current assets		
Cash at bank	165,000	200,000
Inventories	80,000	55,000
Account receivables	74,000	92,000
	774,000	**897,000**
Issued and paid up capital		
Ordinary shares of RM1 each	500,000	800,000
Reserves		
Retained profit or loss	150,000	(70,000)
Current liabilities		
Account payables	60,000	100,000
Unearned revenue	64,000	67,000
	774,000	**897,000**

The new company was formed known as Curry Puff Bhd at 1st April 2016 with an authorized capital of 700,000 ordinary shares of RM1 each to take over the business of Curry Sdn Bhd and Puff Sdn Bhd for the following terms:

1. Curry Puff Bhd to take over all assets and liabilities of Curry Sdn Bhd and Puff Sdn Bhd.

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2. The assets were taken over at the following values:

	Curry RM	Puff RM
Machinery	100,000	130,000
Motor vehicles	70,000	120,000
Research and development	30,000	50,000
Cash at bank	200,000	180,000
Inventories	60,000	70,000
Account receivables	80,000	80,000

3. The purchase consideration of RM600,000 to Curry Sdn Bhd and RM900,000 to Puff Sdn Bhd are to be discharged in fully paid ordinary shares in Curry Puff Bhd. The shares are valued at RM1.20 per share.

Instructions:

(a) Calculate the amount of goodwill on business combination. (4 marks)
(b) Close the books of Curry Sdn Bhd and Puff Sdn Bhd. (10 marks)
(c) Open the book of Curry Puff Bhd. (6 marks)

Show all your workings

[TOTAL 20 MARKS]

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